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# *The* **MANAGEMENT REVIEW**

Volume XVII

OCTOBER, 1928

Number 10

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Published Monthly by the

**AMERICAN MANAGEMENT ASSOCIATION**  
20 Vesey Street      New York, N. Y.

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Entered as second class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

Fifty Cents Per Copy

Five Dollars Per Year

# *The* MANAGEMENT REVIEW

October, 1928

## Two Fundamentals of Satisfactory Executive-Subordinate Relationships \*

By HAROLD B. BERGEN, *Manager of Personnel Department*  
*Henry L. Doherty & Company*

IN DISCUSSING a subject such as this it may be desirable at the outset to define one or two of the terms which will be used. For example, what is meant by the term "executive?" It would be difficult indeed to formulate a definition in this connection which would be acceptable to everyone. For the purposes of this article, however, let us assume that anyone who supervises or directs the work of another is an "executive." This concept recognizes, of course, that there are different degrees of supervision. At one extreme we have the case of the President who exercises general administrative direction of the work of the Vice-Presidents, and at the other we have the case of the senior clerk who exercises immediate supervision of the work of several other clerks. In between these extremes we find many degrees of supervision or direction, such as the supervision flowing from the foreman to the journeyman, the supervision exercised over a trained technician by his section supervisor, the supervision exercised over a division chief by his department head, and so on.

Let us assume, also, for the purposes of this article that anyone who reports to another is a "subordinate." According to this concept, therefore, every employee, except the chief executive, is a subordinate. This condition is attendant to the development of a framework of organization. We should keep in mind, therefore, that although an "executive" directs the work of his

\* The assistance of F. G. Atkinson, Personnel Department, Henry L. Doherty & Company, in the preparation of this article is gratefully acknowledged.

"subordinates" he, in turn (always excepting the chief executive), is a "subordinate" to his administrative chief.

The establishment of these executive-subordinate relationships has given rise to many personnel problems. Anyone who supervises the work of another is confronted, almost daily, with problems of personnel management. Any normal employee desires efficient executive leadership from his chief and any normal executive desires loyalty from his subordinates, no matter how far up or down the line we go. The executive, therefore, must possess not only a working knowledge of the processes, methods, procedures, etc., which come under his supervision but also the ability to handle men to the extent that each man will *want* to accomplish the objectives of his job, of the department, and of the company. As the executives are the real personnel managers, their success should be measured not only in terms of their technical skill but also in terms of their effectiveness in maintaining satisfactory relationships with their subordinates. The recognition of this fact has led to the more or less recent development of what we might call a technique of executive leadership which is applicable to practically any executive-subordinate relationship, irrespective of the degree of supervision exercised. It is the purpose of this article to discuss two factors of this technique which are fundamental to satisfactory executive-subordinate relationships. Although the points to be discussed are of primary importance, it should be mentioned that they are but two of the many factors necessary to such relationships.

### **Interpretation of Management Policies**

The first factor to consider is the responsibility of the executive to interpret properly to his subordinates the spirit and policies of the management. Unfortunately, this responsibility is not always accepted by the executive. Let us, for example, consider a typical case. We are all familiar with the case of the executive who does not interpret the management's compensation policy as his own. He may be the foreman who complains to his men that he would like to raise their wage rates but that the management will not let him. He may be the sales supervisor who tells his salesmen that the commission plan is unfair, that their complaints are justified, and that the management is all wrong. Or he may be the clerical supervisor who tells one of his clerks that the latter is worthy of a salary adjustment but that the management refuses to allow it. In other words, such executives lose sight of the fact that they were appointed to their positions by the management and not elected by their subordinates. They "sell" themselves to their subordinates at the expense of "unselling" the management. They attract a false personal loyalty to themselves, at the same time developing a disloyal attitude on the part of the employees toward the organization. Such practices obviously undermine organization structure and break down morale.



If the management of an organization promotes or appoints an individual to an executive or supervisory position, he becomes a representative of management and should assume full responsibility for all management decisions. This does not mean that the sub-executive should suppress his own honest convictions; it implies that, when his superiors do not concur in his recommendations, it is his obligation to present his difference of opinion to the management—who will usually explain their decisions—rather than to his subordinates, whose experience and judgment in most cases would not equip them to form a sagacious opinion. Confidence that there is a sound reason for every decision made by the management should be the basis of his concurrence in decisions the reasons for which are not apparent. It is his privilege, of course, to ask for explanations, but where his limitations of experience will not enable him to appreciate the management's decisions, it is his obligation, as an appointee and representative of the management, cheerfully and confidently to acquiesce.

If he is a foreman, he should explain carefully to his workers the reasons for the various policies, regulations, procedures, wage rates, working conditions, etc., and he should indicate his full sympathy with these matters. If he does not agree in all of these questions, he should take steps through proper channels to recommend changes to the management, but he should not under any circumstances indicate to his subordinates that he is not in full agreement with the existing standards. If he is a sales supervisor, he should take a similar attitude and should fully support the sales policies and the commission or compensation plan. If he is directing the work of salaried employees, he should make sure that each subordinate understands the basis of his individual salary rate: namely, the value of his position to the organization, and the recommendation of his superior in accordance with his individual performance on the job. The subordinate should realize that his present rate of pay is the reflection of his chief's appraisal of the value of his position and of his progress in this position.

To be specific, let us assume that you, the reader, are an executive and that one of your subordinates approaches you with a request for a raise in salary. Just how should you proceed? The following is suggested:

1. Tell your subordinate that you will be very glad to discuss his salary problem with him and invite him to present his views on the subject. Listen to him sympathetically, and then tell him that you will give the matter careful consideration and will let him know your decision in a day or so. Do not state that you will try to get a raise for him or that you will see what can be done about it. Simply agree to review the matter.

2. If you feel he is not entitled to a salary adjustment, interview him as soon as possible and so advise him frankly, giving him your reasons. Do not delay advising him and do not evade a frank statement of your opinions. Also, do not under any circumstances follow the familiar line of least resistance and recommend an adjustment when you know that it is not merited; such action is an expression of moral cowardice, betraying the interests of the organization and distorting the position of the employee. Do not pass the responsibility for the decision on to any one else, but bear in mind, nevertheless, that the subordinate has the right of appeal to your chief without fear of prejudicing you.
3. If you conscientiously believe that a salary adjustment should be made, make your recommendations through proper channels, but *do not as yet indicate to your subordinate what your decision is.*
4. If your recommendation is approved, interview your subordinate as soon as possible and advise him just what adjustment you are making and why you are making it. Do not let him first discover the adjustment in his next payroll envelope.
5. On the other hand, if your recommendation is not approved, interview your subordinate and tell him that, after careful consideration, you believe that no adjustments should be made at this time. Take full responsibility for the final decision and do not fail to support the management's point-of-view. Only the timid and cowardly executive will avoid this full responsibility.

### **Frank Relationships With Subordinates**

The second factor which should receive special consideration is the matter of maintaining a frank, "open-book" relationship between executive and subordinate. Although it is generally agreed that such a relationship is the only one satisfactory in the long run, executives frequently lack the courage to maintain it. We are all familiar with the case of the subordinate who, when notified that his services are unsatisfactory and that they will no longer be required after a certain date, is painfully surprised and complains that his chief had only a few weeks before told him that his work was satisfactory, this executive being the man who now requests the separation.

We are familiar, also, with the problem of the mediocre employee who is allowed to tag along year after year, being recommended now and then for transfer, for promotion, and even for salary adjustment, but never for removal, simply because some executive has been a moral coward. This soft-hearted and probably well-meaning executive does far more harm than good, creating in the mind of the subordinate a false impression of his own useful-

ness and, through postponing the necessity for his vocational readjustment, may delay until it is extremely difficult or impossible for the misfit to realign himself. The injustice is by no means one-sided, for the management also suffers. Years afterwards the organization discovers that there is a misfit on its hands, that the relationship between this employee and his work is neither satisfactory nor satisfying, and that his salary is considerably out of proportion with the value of the work. If an attempt is then made to separate this hapless individual, the act is condemned as inhuman and unjust.

Such situations can be avoided by any executive who will deal with his subordinates on a frank basis, keeping in mind that most people appreciate a candid, constructive discussion of even their faults. To be more specific, assume again that you, the reader of this article, are an executive supervising the work of six or seven subordinates. How can you maintain a frank, "open-book" relationship with them? The following suggestions are offered:

1. Interview each subordinate periodically, say three or four times a year, and tell him frankly just where he stands, what progress he has made during the last few months, why his rate of pay is what it is, what mistakes he has made and how he can avoid them in the future, and what his short comings are. Do not hold anything back. Let him know how he compares with each of his associates. If he has the ability to qualify for a higher grade job, point out the opportunities for promotion and tell him how he can make himself worthy of them. But, if he has reached the limit of his possibilities, or if he is incompetent, tell him so without reservation—do not under any circumstances evade this responsibility.
2. Make certain that each of your subordinates knows that he can at any time discuss with you any problem, particularly such as a request for salary adjustment or a complaint. Encourage him to state his opinions and grievances without reservation at all times and make him feel that his position will in no way be jeopardized if he criticizes your decisions. This opportunity for the presentation of complaints should always be open. Do not delay taking action on such matters whenever they are presented.

These suggestions, of course, are not offered as a patent remedy for all unsatisfactory relationships between an executive and his subordinates. They will not be of much help if the management's personnel policies are not sound. On the other hand, if valid personnel policies have been established and if each executive will interpret these policies as his own and will maintain a frank relationship with his subordinates at all times, much will have been done in the promotion of efficiency and happiness throughout the organization.

## THE MANAGEMENT INDEX

### Abstracts and News Items

#### GENERAL MANAGEMENT

##### 21 Per Cent Labor Cost Reduction

The third and last article by the production manager of the Newport News Ship-Building and Dry Dock Company analyzes results of management methods during 5 years. A table giving 12 management factors shows the per cent of improvement through each. They are: material control, cost control, incentives, planning and scheduling, design, employment, plant engineering, purchasing, inspection, storekeeping, standardization, timekeeping. A chart gives an evaluation of management factors showing a 21 per cent reduction in labor cost in 5 years, during which time the workers have also benefited in 12 to 13 per cent increased earnings. The quality of work also improved. By William B. Ferguson. *Manufacturing Industries*, August, 1928, p. 284:6.

##### The Fourteen Sign Posts to Business Advancement

In this article, President Downs of the Illinois Central Railroad gives the fourteen points of his philosophy of achievement. They have served him well in his thirty-two-year rise from rodman to president of one of our greatest railroads. They are as follows: 1. Don't strain to be brilliant. 2. Be a plugger. 3. Be steady. 4. Analyze your performance. 5. Analyze your job. 6. Analyze the job ahead. 7. Don't worry about being an average man; simply use your talents more constantly than others do. 8. Work a little harder than the rest. 9. Cultivate your judgment. 10. Express your

opinions tactfully and persuasively. 11. Be persuasive without being obstinate. 12. Be fair in what you say. 13. Be determined. 14. Work out a program for improvement. By Lawrence A. Downs. *System*, September, 1928, p. 329:4.

##### Know Your Business Sleep Rate

Rest and sleep, it is now more fully appreciated, are as necessary to industry's growth and progress as fresh air and exercise. The Mellon Institute of Pittsburgh has been studying how to sleep, as well as the place of sleep, in our business and industrial life. Dr. H. M. Johnson, working at the Mellon Institute, has been making a series of investigations upon a group of adults covering a period of two years. By means of an ingenious contrivance known as the "Kinetograph", or movement recorder, definite figures were obtained as to efficient sleeping. It was found that sleep is uneven and broken in depth, that some sleep "faster" than others. From these charts it has been further discovered, as Dr. Johnson phrases it, "the way a person sleeps is a very stable personal characteristic—as stable as his strength of grip, or his speed and accuracy in mental arithmetic, or similar personal traits."

A corollary fact has been made clear, and is of great interest to business and industry, that it makes relatively little difference whether we go to bed at our normal time of retiring or much later. That is, the relation of our periods of deep sleeping to those of light sleeping, as well as all the in-

intermediate stages remains practically constant, whether we go to bed at our normal time of retiring or much later as the result of a special situation. The particular time of night is not of great importance but rather the time the subject has spent in bed. Thus, the business executive, forced at some juncture to extend himself to the utmost, may feel assured that while he needs sleep and must plan for it, he may work at high pressure knowing that with his own requisite number of hours for efficient sleep planned for, the clock may be disregarded.

The efficient sleeper may, it is also determined, by will and study, make it possible to obtain his maximum sleep a half-hour after dozing off, and another reach it only after two hours. By Uthai Vincent Wilcox. *The Office Economist*, July-August, 1928, p. 5:3.

#### A Six-Hour Day for Business Executives

The author's conviction is: that most business executives work too many hours of the day and that they accomplish too little in their day. As a solution to this difficulty the doctrine of the six-hour day is presented. This is a doctrine of accomplishment rather than one of hours.

Thinking is considered as a process of cooking, and the fireless-cooking principle is the basis of the six-hour day for executives. Six hours of conscious cooking, then put everything in the fireless to cook until done, perhaps three hours later, or three days or three weeks or three years. The six-hour day for a management executive would most naturally end at three o'clock. But most men cannot go home at three o'clock, or even go out for golf every day. They can, however, stop "working" at three o'clock. That is the solution of one executive. He commonly stays at his office until five, but every day at three he closes up shop so far as his conscious mind is concerned. He tackles no creative work. He answers no difficult letters. Books that he wants to read are beside him on a little table. Classics that he has long wanted to

read. Books that are diverting. In this shifting of the load there is a definite technique. It is not enough that a man stop thinking consciously of the problems of his business; he must start the cooking before he puts a problem in the fireless. By Robert R. Updegraff. *The Magazine of Business*, September, 1928, p. 238:4.

#### Improve in Your Game of Business as You Would in Golf

The singular thing about some men who have everything in the way of golf equipment that exists is that their offices do not seem to show this same love for the very latest notion in modern equipment. When golf crowds business until the latter becomes the side line and golf the main line in the man's interest and time, then he should give up business—or golf. But every executive can improve the management of his business affairs if he will try as seriously to do that as he does to improve the driving of a golf ball from the tee. By Fred Counterman. *Mill Supplies*, September, 1928, p. 83:2.

#### The New Type of Executive

Ten or fifteen years ago competition was not only less keen than now, but was also much more definitely on a basis of equality. Mediocre executives could function successfully, whereas today the large-scale firms force the executive pace. Some of the characteristics of the new type of executive are these: 1. He classifies himself functionally, and not by industry. 2. He chooses his job with professional pride, refusing to take a position even if offered a big advance in salary, unless the company and product are sound. 3. He sets up the same standards for sub-executives that he asks for himself. 4. He sets clear policies which are amenable, and formulates definite principles which are unchangeable, and never confuses the two. 5. He makes decisions on a basis of fact and analysis. 6. He restricts his decisions to judging men and results and working out policies. He gives his attention to matters of the future,



not of today, and aims to have a five-year program rather than a one-year program. 8. He maintains his flexibility of mind. 9. He keeps himself from physical and nerve strain. 10. Finally a marked trait is a general high level of judicial intelligence, plus a high degree of co-ordinative ability. By J. George Frederick. *The Office Economist*, September, 1928, p. 3:3.

### Is This Why the Over-Production Bogy-Man Is a Bogy-Man?

In the old days buildings and machines were built with an idea that they were almost permanent. This is not expected today. Investments of tens of thousands of dollars are quickly discarded in order that replacements may be made with models carrying new improvements. The end result of this attitude is of course the creation of fresh markets constantly. And the effects of this attitude do not stop with a

speeding up of obsolescence, as it must not be forgotten that there is still an immense amount of work to be done, in improving and equipping this young country. By A. W. Shaw. *The Magazine of Business*, September, 1928, p. 263:3.

### Companionate Prosperity

So long as any important group of our people is not prosperous, we cannot as a nation be continuously prosperous to the greatest degree. The employees of unprogressive concerns have not the buying power they would have if their employers used scientific methods which would enable them to pay higher wages and yet reduce their costs. Each man can forward his own prosperity by seeing that his own business is prospering by using new scientific methods, and by helping others to secure the benefits of them. By E. A. Filene. *Retail Ledger*, September, 1928, p. 7.

## FINANCIAL MANAGEMENT

### Is the Present a Period of Inflation?

In the past, tight money has nearly always caused liquidation, and very few have realized that there could be any important exception to a rule that was so obvious and seemed so reasonable. But the last three months have been an exception. The historical concatenation of high interest rates and inflation seems to be due to the speculation and demand for credit that the latter engenders. One of the strange things about nearly all the periods of inflation has been that their inflationary character was not recognized until after they were ended. Moreover, it has hitherto been held that an inflation which was world-wide would lift the commodity price level as well as the market values of shares and other property, whereas the recent advance has been confined chiefly to common stocks and city real estate. It may, therefore, be inaccurate to attribute the recent revival of speculation on the Stock Exchange to in-

flation, at least until there is some indication that it is spreading to include merchandise, as well as common stocks as at present.

The billion dollars of gold, however, by which the reserves of the world's central banks have been increased during the last four years and the further accretion that is to be expected provides the basis for a great expansion of credit in the near future, unless it is prevented by *force majeure*. The world is becoming used to paper money, and gold does not circulate in either Europe or the United States as it did before the war. The gold, therefore, naturally drifts into the banks, where one billion dollars of gold provides a reserve for at least ten billions of credit. Consciously or subconsciously, this has been recognized by the speculators who have profited so handsomely by the advance in the stock market. But stocks cannot go up forever. Sooner or later they will reach a point at which



even the most temerarious will want to sell, and, when that time comes, if not before, it is quite possible that the inflationary character of the present movement may be made clear by an advance of the first magnitude in the staples of agriculture and commerce. By Theo. H. Price. *Commerce and Finance*, September 12, 1928, p. 1927:1.

### Stabilization in Poland

Financial reforms agreed upon by Poland when the American Stabilization Loan was arranged a year ago have been carried out. A balanced budget, currency on a gold basis and improved credit conditions are some features of the recovery. The fly in the ointment of economic progress is the trade deficit. There has been a sharp adverse turn, causing heavy increases in Poland's imports. Exports have also been increasing, but less rapidly. Poland cannot reach financial education, as it cannot reach political excellence overnight. The facts of the case seem to be that through the Stabilization loan and its prerequisites Poland has been advanced further than by any other single step in its history; that in fundamental and thoroughgoing ways sure progress is being made. By Alzada Comstock. *Barron's*, September 10, 1928, p. 3:2.

### The Rate of Interest, the Bank Rate, and the Stabilization of Prices

According to Professor Cassel, the rate of interest should not be considered as distinct from other prices, but it should be looked upon as a relative price, the price paid for a service, that is, for the right to use a certain amount of capital for a certain time. The rate of interest, a price itself, affects prices of goods only as they require the use of capital for their production. Thus, no doubt, a rise in the rate of interest is followed by a corresponding rise in the prices of the goods for the production of which the use of capital is required.

A quite different question is that of the influence of the bank rate. As long as the

bank rate coincides with the equilibrium rate of interest, it has no particular influence on prices. But if the bank rate is raised above the equilibrium rate of interest, the demand for loans is affected. People begin to reduce their debts to the banks. The community, therefore, is provided with a more restricted means of payment, with the result that prices in general must fall. In this way the raising of the bank rate above the equilibrium rate of interest of the capital market brings about a fall in the general level of prices. Conversely, a reduction of the bank rate below the equilibrium rate of interest raises the general level of prices. By Gustav Cassel, University of Stockholm. *The Quarterly Journal of Economics*, August, 1928, p. 511:19.

### Financial Control of Inventory

The financial control of inventory is by no means a simple problem. On the contrary it is one that causes financial executives more concern than any other because it is recognized that inventories bear such a close relation to profits. In formulating a policy for financial control over inventory, some of the most important factors that must be considered are the following: 1. The financial position of the business. 2. The economic situation both as effecting purchases and sales. 3. The length of the distribution cycle. 4. The nature of the commodities sold.

In effect, the control of inventories is essentially the control of the business and calls for the close co-ordination of purchasing, production and sales. In achieving such control, while no general plan can be universally applied to all cases, all inventory plans demand consideration of the following: 1. The determination of the minimum inventory investment which will allow profitable operation. 2. The forecasting of probable sales by lines. 3. The decision as to minimum quantities that must be carried for each type of product. 4. The decision as to size of purchase or pro-

duction unit. 5. The determination of points of obsolescence and the steps to take to dispose of slow moving lines. 6. The degree of speculation necessary by reason of the character of the business or desirable, due to the financial position. By J. Eigelberner. *The Society of Industrial Engineers Bulletin*, July-August, 1928, p. 21:3.

#### The Revenue Act of 1928

The Revenue act of 1928 is a radical departure from the act of 1926 with respect to form only. The principal changes in substantive provisions are the reduction in the rate of tax and the increase in exemption applicable to the incomes of corporations, the repeal of the manufacturers' tax on passenger automobiles, and the increase in the exemptions from taxes on admissions and dues. The article includes a summary of the 1928 act, proposals which failed of enactment, plans for revision, contested issues, a discussion of the new form of the Revenue act, and comments upon the act by the author. By Roy G. Blakey. *The American Economic Review*, September, 1928, p. 428:21.

#### Budgeting Sales and Sales Expenditures

The method for preparing a sales estimate is outlined and a form for making up a selling expense budget is given. Such an estimate will co-ordinate the various departmental activities of a company and more truly reflect the probable profit. By J. J. Berliner. *Iron Trade Review*, August 30, 1928, p. 508:3.

#### The Prevailing Practice of Bonuses

The question of bonus payment on securities has not received the attention which it deserves from the investment public or the general run of boards of directors. The practice of charging such cash bonuses against current earnings has been somewhat prevalent in Canadian corporate affairs, and it would be better for price stabilization if the several boards would in the future make such payments on back-profit account. Dividends naturally are a charge against cur-

rent earnings, and are so declared in all profit and loss statements; but a bonus, being in the nature of a special disbursement, should be deducted from a cash resource which is actually existent and not affected by normal changes in business conditions in any given year. If the bonus were declared against the surplus of preceding years' operations, it is clearly a payment made against realization rather than expectation, and thereby the bonus functions to the benefit of all without endangering the year's profit and loss position. *The Journal of Commerce*, Montreal, Saturday, September 8, 1928; p. 4:1.

#### The Banking Position and Its Prospects: Control Lies with Reserve Banks

The objective of the Federal Reserve banks in raising the rediscount rate to 5 per cent has been to check speculative excess in the security markets and to bring about a reduction in the volume of brokers' loans. Whether the 5 per cent rate will bring about more than momentary contraction in brokers' loans and allay the speculative fever, no one knows. It is certain, however, that this objective can be reached sooner or later by successive further discount rate advances. It is a method to be adopted only if no other means are available. It is unsatisfactory because its effects may be long deferred, permitting, as in this instance, the development of a more serious situation to be corrected than that which existed when restraining measures were initiated. In the second place, the long-drawn-out procedure subjects the entire business community to the burden of advancing rates, as is now evident not only in the case of bankers' acceptances and commercial paper, and the bond market, but also very generally in the less elastic rates on customer loans.

Within the Reserve system itself the unsatisfactory outcome of recent experience is apparently recognized, and one member of the Federal Reserve Board, in evident despair of a more fortunate outcome in the

future, proposes practically to do away with open market operations by the Reserve banks. A suicidal remedy, Mr. Sprague ventures to think.

The prospect for the future is by no means hopelessly forbidding. On the basis of current experience, effective measures for meeting a future speculative craze by the Reserve banks can be readily formulated. In general they are simple enough—sharper initial measures and a more immediate follow up. Discount rate advances by one-half per cent stages may be proper in some circumstances, but they are clearly not appropriate when the purpose is to check speculative activities. By O. M. W. Sprague, Harvard Business School. *The Annalist*, July 20, 1928, p. 87:2.

#### Survey Shows Upward Profit Trend

This investigation by Harry A. Bullis, Secretary and Comptroller of the Washburn-Crosby Mills, gives answers from 300 companies plus 350 financial reports from corporation service agencies and a study of corporation tax returns from the U. S. Internal Revenue Department. He also corresponded in detail with trade associations and industrial groups.

A fact that became evident in the course of the inquiry is that industries, if arbitrarily classified into two groups of "small" and "large," show different profit trends. The dividing line between the small and the large companies was drawn at \$1,000,000 of net income annually. Income figures for 650 corporations were classified in this way according to size and then grouped by industries. Indices of profit and sales for each group for the five years 1923 to 1927 were computed on a scale of 100 for 1923. In many cases a similarity in the results of business operations in the small and large companies in a given industry is disclosed. A few distinct departures from the general trend of profits are shown for certain industries, but the causes for the difficulties that have beset these manufacturers are, in some cases, generally recognized.

Mr. Bullis summarized conclusions drawn

from the statistics he assembled and the comments of his correspondents as follows:

"Although profits have declined for all companies in certain industries, and for some companies, especially the smaller units, in many industries, profits in industry as a whole have not declined, but have been on somewhat of an upward trend." *The Iron Age*, September 20, 1928, p. 687:2.

#### Business Life Insurance

Among the forms of business life insurance which are quite usual today are: valued-employee business insurance, bond issue insurance, perpetuating the management and ownership of a close corporation, employee-endowment, insurance while employee is under contract, payment of inheritance taxes, insurance in anticipation of a partner's death. The recent development of insurance in its application to business is one of the outstanding achievements of life insurance in the 20th century. By Avard L. Bishop. *Harvard Business Review*, July, 1928, p. 410:9.

#### Reorganizations and Mergers

The merger idea has been encouraged both by the eagerness with which the public has been absorbing industrial securities and by the pressure of competition in many industries. The theoretical advantages of mergers, however, ought not be allowed to obscure the practical advantages. In many cases, the economies effected will be found to be much less than imagined; often they will be offset by the high valuations at which the more desirable concerns have to be taken in and on which dividends must be earned if the amalgamation is to be successful. The most ardent advocates of mergers have been companies which have been losing out in competition. Two or more bankrupt or near-bankrupt businesses, however, can rarely be combined by any merger process to form a profitable enterprise, and no matter how successful a record a company may have had when operating independently it may be wrecked by too heavy loading with unprofitable affiliations.

The numerous capital reorganizations of recent years have been made possible by the abundance of investment seeking money, by mounting industrial security prices, and by tyro investors' confidence in unbroken prosperity. Often the reorganization brings in new interests, new management, and new policies which prove advantageous. In other cases, the reorganized company is able to make a satisfactory showing only so long as conditions prosper, but cannot weather a period of depression. The new enlarged capitalization upon which dividends are expected to be earned may then prove too great a burden. The problem before the amateur investor is not to spurn all industrial securities of reorganizations, but to select the good from the bad. The danger in the present situation is in the lack of qualification on the part of so large a portion of the investing public to appraise securities offered them and to discriminate between sound investments and those open to question. *Willison's Monthly*, July, 1928, p. 64:2.

#### **Manufacturing Expense Control at Stutz Motor Plant**

This budget is administered by the production manager working through the comptroller. The plan was carefully sold to each foreman and a series of prizes is awarded for budget performance. When

the weekly reports are sent out by the management a general letter covering the performance for the week is dispatched to all foremen, giving the standing of each department for the month to date. The foreman of any department having a net red figure for the month is asked to report to the comptroller. In connection with this budget system a productive labor plan is operated, the basis for which is a bonus for performance in less than standard time. By L. A. Baron. *The Iron Age*, August 9, 1928, p. 333:5.

#### **Cost Control in Banks**

Increasing competition for accounts, and the narrowing margin between income and expense, exert a constant pressure upon banks to know the facts of their position. The accrual basis is generally accepted as the only permissible method of accounting for income and expense, but the majority of banks ignore accruals and prepare their accounts and statements on a basis of cash receipts and cash payments. Simple devices are in use for accruing both income and expense which are well within the capacity of the existing bookkeeping staffs of most banks. A detailed description of this method is given. By T. H. Sanders. *Harvard Business Review*, July, 1928, p. 420:12.

## **OFFICE MANAGEMENT**

### **Organization: Job Analysis, Employment, Pay, Tests**

#### **Payment of Salaries and Wages by Check**

The plan of paying employees by check instead of by cash is gaining favor rapidly, especially among large corporations, manufacturing concerns and business establishments. This fact is established by surveys recently conducted by the American Bankers' Association among banks and by the Policyholders' Service Bureau of the Metropolitan Life Insurance Company,

which has just set forth the results of an inquiry conducted among fifty large firms and corporations which have adopted check payment.

There is a major reason in favor of check payment from the banking viewpoint, namely, the elimination of holdups, robberies and the frequent killing or wounding of bank messengers. The objection that often such check payments entail cost and additional labor upon banks can be readily

met by negotiating with employing firms to either maintain compensating balances or to pay a reasonable fee. Many of the firms now paying by checks have shown their readiness to make such arrangements.

The survey made among fifty firms shows that in their experience the payment of wages by check has reduced hazard, eliminated temptation to theft, afforded economy in payment, encouraged thrift and rarely resulted in forgery with loss to the banks covered by surety. *Trust Companies*, August, 1928, p. 133:1.

#### **Suggested Tests for Addressograph Operator**

These tests are intended to measure the sort of information and ability which an intelligent person who has operated an addressograph machine of any type acquires if he or she profits by the experience. The battery consists of (test 1) memory for

oral directions, (test 2) machines, procedure, and operating practices, (test 3) mechanical ability, (test 4) clerical ability, (test 5) education and employment record. *Public Personnel Studies*, September, 1928, p. 197:5.

#### **Salaries—Under the Committee Plan**

The ultimate success or failure of any plan for salary standardization will depend largely upon adherence to certain administrative principles which should remain constantly in effect and which should not be modified or changed regardless of any subsequent changes which may be found necessary in the operating details of the plan itself. This article gives the principles under which an employees' compensation committee was established in the American Central Life Insurance Company and explains how the plan worked out in practice. By Harold C. Pennicke. *System*, September, 1928, p. 366:5.

### **Administration: Regulation, Supplies, Communications**

#### **The Growth of Telautograph**

Over a quarter of a century ago, there was invented a crude device through which handwriting was more or less satisfactorily converted into electrical impulses, transmitted over wires to any number of points at various distances, and reproduced in facsimile. This instrument was christened the Telautograph. Improvements developed through the ensuing years have made the modern Telautograph simple in construction and operation, but instantaneous, efficient and reliable in performance. Today, the handwriting is permanently recorded in indelible ink, at both the sending and receiving ends, on rolls of paper which are subsequently filed, and it is, of course, incapable of alteration, thus fixing responsibility beyond a doubt.

The speed with which tellers may obtain "balances," even before certain depositors in the line reach their windows, enabling them always to have time to be affable, courteous and still prompt in taking care

of each check presented, has made the telautograph especially valuable in the banking field. Scores of other businesses, as well as banks, are now using the telautograph, including hotels, railroads, public utilities, manufacturing plants, department stores; and new fields are still being opened. By T. Kilner Fish. *Barron's*, September 10, 1928, p. 5:2.

#### **Executive Control of Office Details**

While the actual carrying out of the detail activities or routine of any business enterprise may be performed by clerks at relatively small salaries, the facts and information represented thereby are of such importance that they should be brought to the attention of designated executives periodically for study and review. The practical difficulty is to steer the middle course between too much control and too little, between immersing the executive in unnecessary detail, red tape and lengthy reports and giving him so little information that he



almost literally does not know what it is all about, in so far as routine activities are concerned. In this article, the writer describes the methods of a company which, in his opinion, has a most satisfactory and acceptable plan whereby routine matters are brought to the attention of designated executives in order that they may take action on exceptional cases as may be necessary but whereby, at the same time, routine operations are carried through on a simple, systematic basis. Methods of controlling such matters as lateness and absence, complaints, building orders, machine and equipment maintenance, multigraph work, mimeograph work, typewriting and transcription work and mailing work are described. By J. H. MacDonald. *The Office Economist*, July-August, 1928, p. 3:4.

#### Rotation Billing

The fundamental principle of rotation billing is the distribution of the volume of billing work throughout the entire month, to eliminate the peak period and the duplication of billing effort. An objection to such

billing is that customers associate bills with the first of the month and plan accordingly. The major economies and advantages possible under the operation of this system are considerable. Practically all stores which use mechanical billing methods could install such a system to great advantage. *Harvard Business Review*, July, 1928, p. 477:10.

#### Importance of Stock Control

Mr. Luckett describes a system of stock control that will enable you to accomplish the following: (1) to turn your stock faster than you have ever done before, (2) to cut down to a minimum slow and dead items that clutter up your shelves and eat up your profits, (3) to reduce that embarrassing business-losing excuse, "Out of stock", of popular items, (4) it will enable you to do a bigger business with a smaller investment, (5) it will tell you more about your business than you have ever known before, (6) it will put dollars in your pocket. By J. S. Luckett. *American Stationer and Office Manager*, August, 1928, p. 7:5.

#### Benefit Systems and Incentives: Pensions, Profit Sharing, Suggestions, Vacations, Stock Ownership

##### Financial Incentives for Executives

An analysis of 40 plans reveals the following bases of award: general merit (24), savings between anticipated and actual (1), increase in sales (2), inventions and conspicuous service (3), reduction of labor cost (2), length of service (2), increase above quota of profits (1), increase in

business (1), increase in output (1), decrease in defective product (1), general considerations (2). The more common practice seems to make bonuses for executives depend primarily on the accomplishments of the company as a unit rather than on those of any department or section. *N. I. C. B. Service Letter*, Sept. 5, 1928.

#### Records: Forms, Charts, Cards, Files, Statistics

##### A Ready Reference System

A characteristic feature of the supply distribution system of the American Security and Trust Company is that everything goes by form numbers rather than by description. Stationery and supplies all have their proper place in the store room on shelves, and each shelf has a number. All the records are therefore arranged by

shelf number. The storekeeper is furnished with a complete card index of all forms and supplies to be found in the supply room, which are arranged alphabetically. This system also enables the bank to keep a check on the different forms that are being used.

Another scheme that seems to be working out satisfactorily, although still in the experimental stage, is that of giving each



department a tentative number, and each branch office a tentative number on the various forms used. By Fred E. Kunkel. *The Bankers Service Bulletin*, August, 1928, p. 10:2.

#### **Centralization Reduces Office Costs and Improves Work**

In the Roxana Petroleum Corporation the computing, transcribing, filing, and recording operations are centralized on one floor. A corps of three errand girls gathers the work for the centralized groups from the 15 departments in the building, returning it when completed. The operators discovered that under centralization their work became more interesting, where-

as before it had been only so much routine. Another point in its favor was that it soon brought out individual ability. Under the new system the operators were not expected to do anything except their own tasks. They liked the uniform supervision, too, and discovered that departmental idiosyncrasies had affected their special tasks more than they had realized. Centralization increased production immediately because the peaks were eliminated by standardizing the work, and organizing the stream of work so that it flowed smoothly. The files are not consolidated, but a standardized system is in use with each department kept as a unit. By W. Franklin Jones. *Management*, Sept., 1928, p. 39:5.

## **PRODUCTION MANAGEMENT**

### **Employment: Classification, Selection, Tests, Turnover**

#### **Do You Employ Married Women?**

The married woman in industry is more or less the victim of an unformed or shifting public opinion. In many cases she is suspected or taken on probation. Everyone seems to be agreed that the reason why she is working is for nothing more nor less than cold cash and for nothing more romantic than that of economic necessity. It is believed to be important that employers should formulate an opinion on this problem so that the married woman may know where she stands.

As to absentism, almost every one agrees that it is considerably higher among the married. An investigation made by the Illinois Bell Telephone Company among the 11,000 women working on switchboards showed that the married women, although only 18 per cent of the whole force, were responsible for approximately 60 per cent of the absentism. Yet even so, the company did not wish to discriminate against them.

The employment of the married woman as a seasonal worker finds favor on every

hand. One company employs married women almost exclusively for mailing out its catalogues.

Policies followed by various firms are given, showing that nothing has been proved in this investigation, and that for the time being each firm must be a law unto itself. By Esther Gould. *Management*, September, 1928, p. 35:9.

#### **Seasonal Unemployment in the Clothing Industries**

The root cause of the seasonal fluctuations in the clothing industries is that new fashions are not known even to the trade until a comparatively short time before they are to be worn by the public. Consequently the manufacturer must delay production until he knows what the fashions are to be. He cannot anticipate demand by manufacturing for stock as he might fail to forecast the fashions correctly.

An employer can obviate seasonal unemployment among his workers by introducing additional lines of manufacture to be taken up in the slack season. Such a policy, however, presents difficulties. The adoption of

a new product involves capital expenditure on new machinery, adjustment of marketing arrangements, and in many cases training the workers for the new job. This outlay is sometimes financially justified, but the initial cost causes some employers to hesitate.

Again, an employer may adopt additional lines to keep not his workers but his plant occupied, engaging a different staff of workers for the new product. These workers must then be trained before they are efficient, and sometimes this work is less skilled and less well paid, and therefore they are not always willing to accept it. It is not always easy for the worker, once he has accepted lower grade work, to return to his old standing, especially if it involves transfers from one firm or locality to another. In such cases, an efficient employment exchange service is indispensable, with a certain minimum of training for the workers. *International Labor Review*, August, 1928, p. 184:18.

#### Rest Periods in Austria

A number of concerns in Austria have recently introduced rest periods of sufficient duration to avoid excessive fatigue on the part of the workers. These rest periods have been arranged according to a system

tested by physicians, so as to intervene before the fatigue of the workers has become pronounced. The aggregate duration of rest periods for an eight-hour day is 50 minutes. It was discovered that the introduction of these rest periods increased the intensity of work by 100 per cent.

According to inquiries carried out by the Chamber of Labor, scientific management has increased the output of the worker in Austrian industry as a whole by 20 to 40 per cent. In some industries, particularly the manufacture of incandescent lamps, the output per worker is said to have increased by 400 per cent. In the textile trades and a number of other occupations it is placed between 30 and 60 per cent. *Industrial and Labour Information*, August 27, 1928, p. 227:1.

#### Shorter Work Day Advocated

In an address before the International Association of Public Employment Services at Cleveland, Secretary of Labor Davis urged the shorter work day and the shorter week as well as doing away with excessive taxation of industry as a means of combating unemployment. *U. S. Daily*, September 22, 1928.

### Training and Education: Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards

#### Foreman Training

An evaluation of the results of foreman training, as conducted in New Jersey plants by Rutgers University, was recently presented to a group of two hundred executives during the Third Annual Industrial Extension Conference of the University at New Brunswick. Plant officials, as well as foremen, taking part in the discussion, contributed their estimates of the results of foreman training in their own companies.

Through all the discussion of foreman training courses from the employers' point of view, appeared statements that individuals in the foreman group had been

brought closer together in their vision of the foreman's job and that closer co-operation, not only among foremen but between foremen and the various functional departments serving them, had been made easier.

A conspicuous example of results given by a company official, was the pooling of the opinions of the group as to the best methods of handling new employees. These written opinions were used as the basis for uniform procedure throughout the plant. The foremen rightly consider this procedure as of their own creation.

Another interesting result discussed by an official grew out of a group discussion of good and poor methods of job instruction

and the effect on the quality of the product. The group asked for a committee to supervise a study of certain operations to determine the best methods of instruction. The result has been a standardization of such instructions, and for several jobs which have an important bearing on quality, the written job instructions are placed in the hands of the workers.

In another instance the lecture and discussion on material movements resulted in a committee which continuously keeps before the supervisors the importance of reducing the cost of handling material.

A number of foremen who took part in the discussion naturally evaluated results from a departmental and a more personal angle. In one instance it was stated that a group discussion of the necessity for foreman co-operation in the matter of selection of employees had resulted in job specifications which foremen helped to write.

In another case mention was made of a discussion of overhead costs and how the foremen analyzed their indirect costs and determined in just what manner and to what extent the foreman was responsible for them.

In another case it is related that the discussion on factory cleanliness had resulted in analysis by each foreman of departmental cleaning. The appearance of the factory has been improved and the general tone of the work raised through more systematic cleaning methods.

In another case a foreman described how a discussion of standardization and its sig-

nificance gave him a broader vision of his own part in the industrial world.

Criticism from one foreman was directed at a series of foreman meetings consisting entirely of lectures, which had been devised to meet a very special condition. The point was raised that the benefits derived by foremen from group instruction lies largely in tying in with actual problems, through discussion, of the information received through lectures.

While the discussion, from the viewpoint of employer and foreman, of the Rutgers course, did not cover the question of methods of handling such groups, the examples selected from the discussion and stated above, indicate that this course, which consists of a combination of lectures, group discussion and written work, has met with marked success in the minds of both employers and foremen.

So much interest has developed from this discussion that New Jersey looks forward to unusual activity in foreman training during the coming year. By J. H. Vertrees.

### Management Classes

The Goodyear Industrial University of the Goodyear Tire and Rubber Company is now offering to foremen and supervisors of the factory and staff departments the courses of the Management School. The term is six months long. A refund is made at the end of the term to those with passing grades and an attendance of 80 per cent or better. *The Wingfoot Clan*, September 12, 1928.

### Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration,

#### Does the Immigration Law Meet the Needs of This Country?

The immigration policy has meant more to our people than any adopted through legislative means since the war. Under the present law we have been able to establish a system of examination abroad. But the immigration laws should be designed more

in accordance with the principle that the particular immigrants to be admitted to the U. S. should be determined according to the needs of this country. Consideration should be given to families of citizens of the U. S. and aliens lawfully domiciled here. Consideration should also be given to needs of American industry. The expulsion of

undesirable aliens from this country is an important immigration function. By Hon. James J. Davis. *American Business Magazine*, October, 1928, p. 619:1.

#### Industrial Review of the Year

This brief survey is limited to the following relatively important matters for the

period from July, 1927, to July, 1928: Industrial relations; wages, earnings and living costs; A. F. of L. membership; unemployment; labor cases in the courts; legislation; labor benefits and insurance; group insurance; labor banking; health and education; housing. *Information Service*, July 28, 1928. 8 pages.

#### Benefit Systems and Incentives: *Group Insurance, Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership*

##### A Savings and Investment Plan

The Hamermill Savings and Investment Plan was inaugurated on April 1, 1928. Prior to that date the plan had been described to each employee in a folder and in the house organ. Any employee with six months' service may join the association by signing a set of the rules and by authorizing a regular deduction from wages or salary. The fund so established is invested by the Treasurer of the company and two other company officers. Withdrawals may be made on 30 days' notice, or in case of emergency, immediately if funds are available. By Morris Harrison. *N.I.C.B. Service Letter*, September 5, 1928.

##### Western Electric Group Bonus Methods

In the Kearny and Hawthorne plants, employing 24,000 workers, 85 per cent of the direct labor and 23 per cent of the indirect labor operate under incentive wage plans, including individual piece work, gang piece work, gang premium, tasks and an efficiency rating scheme which is applied to some day-work jobs. Each of these is described. By W. F. Hosford. *Manufacturing Industries*, August, 1928, p. 273:6.

##### Investments by Employees in Company Stock

The Bureau of Labor Statistics, Department of Labor, comments on a recent article by Willard C. Fisher dealing with the investment and speculation features of employee stock ownership. For the average American employee probably the safeguard-

ing of his family through life insurance, ownership of a home and the establishment of a savings account, should take precedence over any other form of investment. The safe principles of selection and diversification are in most cases not possible for the small investor in company securities. The promoted purchase of stock by employees is broadly speaking not investment but speculation. Although preferred stocks are in general much safer as investments, the speculative element is still present in them to a certain extent, and in years in which all stocks are adversely affected, employee holders of shares of preferred stocks are just as likely to be scared into selling these at a loss as they are if their investment is in the common stock of the company. *U. S. Daily*, September 11, 1928.

##### Existing Plans for Unemployment Insurance

The number of workers covered by unemployment insurance in the United States by individual company plans is about 8,000. Of the nine plans now in existence the first one was that of the Columbia Conserve Company, which was established in 1917. All company plans cover any unemployment due to the inability of the firm to furnish employment to any eligible employee, although one company pays benefits only in case the entire plant closes down. The Dennison Company transfers workers, paying time workers their regular rate, and piece workers by a rating scale varying from 70 to 100 per cent of their previous six weeks' average earnings. Rates of

benefit vary greatly as do also the duration of benefit. The Leeds and Northrup Company bases the duration of benefit on length of service, ranging from three weeks' benefits for three months' service to twenty-six weeks of benefit for five years of service. The Dutchess Bleachery pays benefits for unemployed time within a 48-hour week unless the fund falls below \$50,000 in which case it pays on a 35-hour week basis.

Company plans usually are administered by joint committees consisting of equal number of representatives of employers and employees. Few of the plans provide for a definite fund, benefits being paid out of profits. The hours and vacation policies of most of the plants having unemployment insurance are comparatively generous. By Mary B. Gilson. *American Federationist*, September, 1928, p. 1114:7.

#### **Mutual Benefit Association as an Aid in Production and Savings**

Employees mutual benefit associations combine to an unusual degree the factors essential to widespread, effective work in reducing the industrial waste from preventable sickness. But there are two few of

them, and those in operation do not begin to do their real job. These three fundamentals must be accepted as basic in order to achieve real success. 1. Emphasis must be taken from "relief" and placed on "prevention." Direct benefits must be extended to the man who keeps well as to the man who gets sick. 2. The associations must recognize the immensity and requirements of the problem they tackle and must proceed by definite plans and direction. 3. The work of all mutual benefit associations and similar groups must be correlated as has been done in accident prevention work. By H. M. Trimmer. *Law and Labor*, September, 1928, p. 200:3.

#### **Unemployment Insurance in Canada**

The principle of insurance against unemployment supported by compulsory contributions from the state, the employers and employees has been accepted by a committee appointed by the Canadian House of Commons as the basis for relief legislation according to a statement by the Bureau of Labor Statistics, Department of Labor. *U. S. Daily*, September 10, 1928.

#### **Shop Organization: Planning, Methods, Job Analysis, Standardization, Waste**

##### **Lowering Costs by Job Standardization**

Results of 17 years' studies in the Middletown Car Company covering over a million readings developed in chart form for wage calculations in fabricating shops. The time and motion study formula used is given and its application to the performance of one man working on a bar shear. By H. B. Baumbach. *Manufacturing Industries*, Sept., 1928, p. 345:5.

be done by allotting each repair man a section of the plant and making him responsible for keeping it running. This plan has many advantages. By L. Leighton Farrar. *Manufacturing Industries*, Sept. 1928, p. 379:3.

##### **A Coordinated Production Control Plan**

In the Keratol Company (dyeing) the purchasing department has been centralized not only in regard to buying but also for sales and production co-ordination. All sales orders are analyzed for requirements in raw materials and a perpetual inventory control is maintained. The method used in coordinating sales commitments with factory requirements is to establish certain

##### **Maintenance Halves the Repair Bill**

A method of managing plant upkeep which, aided by a wage incentive plan cuts between 30 and 50 per cent from repair costs. The first essential of a good maintenance plan is to combine the interests of the worker and the management. This may



maximums and minimums on dyed cloth, these depending upon the respective qualities. From daily records a chart is kept showing pounds per machine-coated and machine-tour records. A résumé of daily reports and details is sent each week to the general manager. By George W. Gregory. *Manufacturing Industries*, Sept. 1928, p. 355:5.

#### **Simplified Practice Is Suggested in Use of Colors in Industry**

There is an ever increasing number of manufactured products in which color has become a pronounced factor. The manufacturer must tie up his capital in extra equipment in order to maintain production of the full line of colors. He is manufacturing for an uncertain demand and is confronted with a variable factor of style which he never expected. The extra cost eventually finds its way to the consumer. The distributor is faced with problems of inventory, extra space, and additional rent. Again the consumer comes into the picture.

He himself is often confused by the wide range of choice that is presented to him. Many times he desires only utility, but he pays for an ornament.

If producers, distributors, and users could be of one mind in regard to the economic advantage of conforming to a simplified list of colors, it would be possible to establish such a list by the unanimous consent of all concerned. By Edwin W. Ely. *Industry*, August 25, 1928, p. 11:1.

#### **25 Per Cent Cut in Handling Costs**

How the Pittsfield Works of the General Electric Company economizes on internal transportation with an electric tractor and 15 trailers. These are used as the primary handling equipment and are supplemented by electric lift and baggage trucks in connection with either skid platforms or tote boxes. Hand trucks of various types are used only at local points and for miscellaneous purposes. An overhead traveling crane system is used for appropriate transportation. By E. J. Mills, *Manufacturing Industries*, September, 1928, p. 329:4.

## **MARKETING MANAGEMENT**

#### **How About Retail "Price Cutting?"**

The opponents of the Capper-Kelly bill, merchants, farmers, consumers' organizations, and labor, have consistently maintained that to permit the manufacturer to dictate prices to the public was to inflict an unjustifiable hardship on all consumers of trade-marked goods. In some way, obscure to most people, but clear to those who advocate price maintenance, abandonment of competition on trade-marked articles is supposed to benefit manufacturers, "honest" retailers, labor and the consumer. There is one practicable economic means by which a manufacturer can largely do away with the cutting of his prices. The central principle is to allow the retailer a fair profit in the proposed resale price and also remove from the retailer the risk of handling the branded item. If the branded merchandise proves

unsalable it may be returned to the manufacturer, and salable merchandise will be substituted for it. Loss through overstocking is removed under such an arrangement. It is not believed that price cutting has seriously interfered with the success of trade-marked merchandise, as any one can see who examines the financial statements of companies which do national advertising of their products to the consumer under a brand name. By Lincoln Filene, *American Federationist*, Sept., 1928, p. 1067:6.

#### **Small Merchants Declared to Have Secure Position**

"Practical Aids to the Independent Merchant" a recent bulletin published by the Department of Commerce asserts that the independent merchant has a secure position in modern business development. Govern-



ment sources of trade information as an aid to the small business man are emphasized by Dr. Klein as of real practical value. These sources are pointed out in the pamphlet. Recent studies by the Commerce Department have shown that the profits of many wholesalers and retailers alike are dissipated through practices such as the handling of unprofitable items, soliciting unprofitable customers, striving for volume without regard to costs and the use of uneconomic credit practices. Other subjects studied by the Department are: credit and delivery, measuring the market, store location, store planning, educating the sales force, cooperative advertising, department leasing and vehicular traffic congestion. An inquiry unit in the Domestic Commerce Division is equipped to make special researches and answer a diversity of questions on specific business problems. *U. S. Daily*, Sept. 15, 1928, pp. 1 and 5.

#### **Instalment Selling in Foreign Countries**

In the United States, instalment selling has become a regular feature of merchandising, representing an important factor in the growth of production and consumption, and operating, on the whole, along sound banking principles. Instalment selling has been gradually, although less extensively, adopted in Europe and is now regarded as one of the many ways whereby the industrial reconstruction of Europe can be accelerated. Its extension is particularly notable in two old countries and one new one—Great Britain, Germany and Australia.

In Great Britain, 50 to 80 per cent of the motor cars, 70 per cent of the sewing machines, 70 per cent of the pianos and talking machines, 50 per cent of the furniture are sold on the instalment plan. The system is called the "hire purchase" plan. Often a down-payment of only 25 per cent is required in contrast to the  $33\frac{1}{3}$  per cent usual in this country. The trend, however, at present is toward the more conservative

American principles that have contributed so to the success of the system in this country.

In this country the article becomes the property of the buyer as soon as the down-payment is made, though the finance company retains a claim over it; in Great Britain the article remains the property of the seller, though the buyer has the use of it. In Great Britain the credit accommodation is frequently extended by the seller himself, although sometimes a group of firms will form a subsidiary company for the purpose of financing their hire purchase business.

The instalment plan is widely used in Germany. As in the United States, the finance company plays a very important part in discounting the dealer's instalment paper, and the system is now closely similar to that adopted by this country. A form of "consumption financing" originally existed in Germany, but has since been practically eliminated. Under this system the finance company issued a "credit cheque" for which the customer made a down-payment and agreed to pay certain instalments over a fixed period. The credit cheque was then used to purchase, at specified stores, almost any commodity except food. Now the tendency in Germany is toward the sounder American system; terms of sale include a fairly high cash payment with instalments spread over a reasonably short period.

Consumption financing by the use of the credit cheque, on the other hand, has been widely adopted in Australia along with a large expansion of the more legitimate instalment business. The system now covers so wide a field that it is a literal possibility to have one's hair cut on the instalment plan. Apparent over-extension of the instalment system has caused some uneasiness on the part of both the Government and the banks of Australia.

The experience of the past few years has demonstrated the fact that extension of credit to the individual for consumption is as reasonable a practice as the extension

of credit to the manufacturer for production. If the practice of instalment selling in Europe follows the conservative standards prevalent in this country, it may become a normal and stimulating feature in continental merchandising. *The Index*, June, 1928, p. 3:5.

#### Reviving Inactive Accounts

In an investigation among 1,678 companies the facts obtained indicate that too little attention is given to increasing sales to old customers, and that if a small percentage of the amount that is spent in an effort to "widen the market" and find new buyers was used in an effort to extend the business of the customer already secured, greater results would be obtained. By devising and using forms that enable them to keep in close touch with their trade, many firms have been able to reduce their loss of old customers to a minimum. By cultivating dealers' and jobbers' salesmen, providing their accounts with sales plans and ideas, using budgets and quotas, keeping their salesmen informed, and using direct-mail follow-ups, results ranging from increases of 25 to 70 per cent in sales to

old customers, and from 18 to 46 per cent in sales to accounts that had become inactive were reported by representative concerns in every line. Report No. 276. *The Dartnell Corporation*. 23 pages.

#### Financing Instalment Sales

The use of instalment selling as a means of increasing the distribution of sprinkler systems is justified because the cost of the installation which is high can be partly met by the savings in insurance expense. Since the purchase represents a capital expenditure it is reasonable to extend payment over a period. Relative advantages of an integral financing department and a separate financing organization are given. The competition in the manufacture and sale of trucks is so severe that it appears necessary for a company to adopt a policy of instalment selling in order to live. Advantages of financing truck sales through a strong independent finance company are pointed out. In no case does it appear that the employment of a finance company justifies the abolition of the seller's own credit department. *Harvard Business Review*, July, 1928, p. 487:7.

### Sales Promotion: Letters, House Organs, Advertising

#### Measuring a Market

This article describes the plan of a publishing company in gauging the potential circulations of its magazines and the marketing opportunities of its advertising clients. Such topics are included as market research, circulation standards bearing on occupational statistics, selling organization, readjustment of circulations. *Bulletin of the International Management Institute*, June, 1928, p. 105:3.

#### Applying Factory Time Study Principles to Retail Stores

The Toledo Scale Company has developed a new plan of dealer co-operation, the basic idea of which is that the average retail

store can save money by the scientific selection and placing of scales. The first step in developing the plan was to provide a simple form of procedure which could be applied to the time study of any grocery or meat market. The next step was the working out of a method whereby their salesmen could make the proper time study. The complete plan was sent to all salesmen and then advertised in business papers. Upon receipt of any inquiry the booklet is mailed directly to the merchant. The inquiry is then sent to the salesman covering the territory, and notice of the inquiry is sent to the district manager. The salesman is expected to follow up the inquiry and wherever advisable make the time study according to predetermined procedure. When the study has been made and the conclu-

sions drawn the salesman submits all his material to the dealer. The reaction of retailers has been remarkable, in one week the company receiving more than 2,000 inquiries for the booklet from all parts of the country. By W. C. Gookin. *Printers' Ink*, September 6, 1928, p. 36:5.

#### Successful Selling by Telephone

Modern live businesses are not necessarily discharging their field force of men, but are using the telephone selling method as an adjunct to broadening their sales. In telephone selling, all the alien matter to the sale and the selling talk itself *must go*. Absolute essentials are: directness, complete knowledge of the subject, a definite well-formulated plan of imparting that knowledge to your prospect, conciseness, forcefulness, ability to arouse interest, courteousness, distinctness, friendliness, brevity. The telephone salesman must: secure favorable attention of the prospect, arouse interest, create desire and induce action. A card index of calls should be kept. The selling must be concentrated, consistent and followed up. The cultured voice, with gentle even pauses is most effective over the telephone. By J. George Frederick. *American Business Magazine*, Oct., 1928, p. 621:2.

#### Drug Company Holds Convention Via Long Distance

The beginning of a revolutionary method in the holding of national sales conventions transpired recently when the San Antonio Drug Company held a convention of its sales force, with some of the men in Chicago and the others at the home office in Texas. During one hour and eight minutes and at a cost of about one hundred dollars, this firm accomplished what ordinarily would have taken ten days to do at several times the amount. The drug company merely placed a long distance call and secured a connection with the Chicago office in the usual way. They held the line then as in the case of an ordinary long distance conversation until the convention was over.

Amplification was possible through hooking an ordinary radio set to the drug company's private switchboard, and thus relaying the sound through the radio set and into the loudspeaker, the tubes of the radio amplifying the sound considerably. A stenographer sat in on the meeting and made a complete stenographic report of all that was said. Copies were made of the proceedings and these went to salesmen to verify the convention details and to keep fresh in the minds of the men the high points of the talks. By Ruel McDaniel. *Sales Management & Advertisers' Weekly*, Sept. 8, 1928, p. 540:2.

#### Are You Following Up Lost Customers?

Each satisfied customer has a definite value, gauged by his average weekly bundle, which, multiplied by fifty-two, gives the year's value of that customer to the laundry. On the other hand, the laundry that makes a definite effort, through advertising and sales work, to secure new customers, can definitely determine the costs involved. One laundry owner, by keeping an accurate record, arrived at the figure of seven dollars and twenty-five cents as the cost of securing one new customer. As this figure seemed startling to him, he determined to spend a portion of that amount in an effort to retain his lost or dissatisfied customers. In order to find out why a customer ceases to send in the usual bundle, convenient forms should be provided for the routeman upon which he can enter the name of the customer, address, date on which the bundle was not sent, and if possible the reason why. These slips, after being turned over to the clerk in charge, would each call for particular treatment. *The American Outlook*, June, 1928, p. 16:2.

#### The Annual Report as a Sales Aid

The Victor Talking Machine Company has a list of 7,500 stockholders, which is of course a market worth cultivating. The 1927 financial report of the company, after devoting the major part of its space of

the financial story for the year, gives over two pages to some fifteen different illustrations of Victor models with no explanation other than the company's name and number for each model. The illustrations tell the whole merchandising story, and the attempt to sell is not obvious. In sending out quarterly dividend checks the company encloses with the check a folder which obviously endeavors to sell one particular model of the Victor line. In this copy the company speaks to the stockholder about its product as it would to any other prospect. By H. E. Pettingill. *Printers' Ink Monthly*, September, 1928, p. 62:1.

### Are We Losing Brilliancy in Advertising?

The advertising agency faces the danger of glorification of organization at the expense of brilliant personal performance, especially as brilliancy must be more and more injected into advertising. If industrial leaders lack brilliancy themselves they will not look for it in advertising production, so their attitude invites the producer of advertising to sell them on some other basis. Then, too, there are very few busy and personally industrious executives who appreciate the amount of idleness which brilliancy of thought and execution actually needs, and which it may be highly profitable to finance. There is an altogether too long procession of fine intellects passing through one agency after another. Often they are fired because they are not "in line with the organization." By Howard W. Dickinson. *Advertising & Selling*, Sept. 4, 1928, p. 21:2.

### Is Progressive Obsolescence the Path Toward Increased Consumption?

The term "progressive obsolescence" simply means the more intensive spreading, among those people who now have buying surplus, of the belief in and practice of buying more goods on the basis of obsolescence in efficiency, economy, style or taste. People who can afford it must be induced to buy a greater variety of goods

on the same principle that they now buy automobiles, radio and clothes, that is, goods not to wear out, but to trade in or discard after a short time, when new and more attractive goods or models come out. In a lesser degree the same principle of progressive obsolescence can be applied to successively lower levels of American life, for these people buy second-hand automobiles, radio sets or furniture, which are in their fourth or fifth stages of obsolescence. The arresting point is that under any other régime, many such people would never be able to have these possessions at all.

We have had, to date, largely a horizontal development of consumption, an increase in number of consumers who are able to buy. What we need now is an increase in the volume of purchases of those now well able to buy, or vertical consumption. By J. George Frederick. *Advertising & Selling*, Sept. 5, 1928, p. 19:3.

### Getting Salesmen to Think in Terms of Profit

The Pittsburgh Gage and Supply Company has worked out two schedules, one of which tells them whether or not their lines are profitable, and the other which keeps them informed as to just what their salesmen are doing. One schedule, that of grouped sales, shows whether merchandise has been taken from the warehouse or sent direct from the manufacturer. The second schedule points out the profitability of the salesman. Their sales are not lumped. There are personal sales and voluntary sales, the personal ones being those which the man makes while calling upon a purchasing agent, and the voluntary sales those which come in after he has gone. The company finds it important to separate them as it proves the carrying quality of a salesman. These schedules have proved successful, for since putting them into effect the company's gross profits have increased more than 5 per cent and their sales between 10 and 15 per cent. By Harry J. Casper. *Industrial Distributor and Salesman*, August, 1928, p. 45:3.

## Buying, Receiving, Storing, Shipping

### How the Small Merchant Competes with Chain Stores

Group buying seems to be the answer to the small merchant's problem, chain competition being what it is, and this should lead to the disappearance of waste in distribution. Like any other new movement, some efforts are well organized and some less effectively. From many standpoints the manufacturer who works with a legitimate group is more advantageously placed than those who do not. *Literary Digest*, Sept. 15, 1928, p. 70:2.

### An Analysis of the Causes and Results of Hand-to-Mouth Buying

The extent to which hand-to-mouth buying has become an established part of our business structure is not clear. The last few years have been exceptional. They have been years of increasing business, unaccompanied by rising prices—in fact, with a tendency toward falling prices. But should we enter a period of increasing business, accompanied by rising prices, such as has often occurred in the past, two tendencies away from hand-to-mouth buying will develop. In the first place, there will be a trend toward speculative buying. For, with prices rising, buyers will become anxious to buy in order to profit from the rising prices; just as now they are anxious not to buy, so as to avoid the disadvantage of falling prices. And, second, the fear of shortage will stimulate buying in large quantities, even where the speculative element is not present.

Few will contend that the tendency in a period such as that experienced from 1914-1919 will not be away from hand-to-mouth buying. Nevertheless, the present experience with hand-to-mouth buying and the condition and causes which have brought it about, as well as the changes in trade relations which have resulted, have brought producers closer to the ultimate market. Knowledge of supplies, capacity, and demand has become more widespread through the develop-

ment and increased use of statistical information and more careful market analysis. The net effect of all these developments (of which hand-to-mouth buying is of course only one) will be to curtail speculative commitments and so to cause more stable industrial conditions. By Fred E. Clark, *Harvard Business Review*, July, 1928, p. 394:6.

### Cooperative Retail Buying of Apparel Goods

Group buying has been shown to be a reflex of conditions in production, consumption, and retail distribution. Purchasing cooperatively has resulted in certain well-defined advantages to both producer and retailer. On the other hand, violent opposition has come from these same sources. The test for the effectiveness of group buying must necessarily be an empirical one; that is, certain producers and retailers have admittedly derived great economies from this buying method. Others have had unfortunate experiences. As a possible method of purchase, cooperative buying is open to many improvements, and its effectiveness can no doubt be increased. (In essence, group buying has been an attempt on the part of the retailer to take over the manufacturer's selling organization, and, as a current buying method, it has been used in supplementary fashion with other policies of buying.)

Some courses of action which may result and are in the process of resulting from group buying are the organization of retail stores into buying groups with centralized management. In retaliation for this procedure is the extensive development of manufacturers' branch stores, a line of development well along in the men's wear field. From another viewpoint, the control of production may pass to the retail combinations, and the principle of the division of labor may be extended to the point of production being carried on exclusively by manufacturers, and selling carried on ex-



clusively by retail combinations. A more immediate course of action is that cooperative buying will be merely a supplementary form of buying, and that, at best, it is only adapted to certain lines and particular ranges within these lines.

Business institutions are more or less reactionary to change, especially when that change implies the passing of control.

Group buying in the apparel trade is yet in the experimental state, and, given time to iron out certain difficulties expressed in this paper, is capable of development to meet the conditions in production, the changes in retail competition, and the growing significance of consumer demand. By Kenneth Dameron, *Harvard Business Review*, July, 1928, p. 443:13.

### **Salesmen: Selection, Training, Compensation**

#### **Let Your Salesmen Test That New Product**

The Fuller Brush Company has found that any group of its salesmen, taken in sufficient number can tell whether an article is good or bad. It is the firm conviction of this company that any manufacturer can place a great deal of dependence upon the group judgment of a sufficient number of his salesmen in the testing of any new product. The manufacturer is too close to his business. The outside expert is often too much of an expert. But the one in closest touch with the customer and who is most likely to react much as the customer will, is the salesman. By Everett R. Smith. *Printers' Ink*, August 30, 1928, p. 120:3.

#### **Why Do Salesmen Specialize in Talking?**

It is believed that a salesman's ability to talk is over stressed in selection; good listeners should also be sought. A salesman can dominate a conversation by the use of intelligent questions and his ears. If the business world had an accepted definition for the term "selling" it could so inculcate the correct finesse and approach in salesmen that they would never be handicapped with an ill-founded technique. The salesman will aid himself by thinking of what the buyer is saying in order to formulate further questions which will help him to reason out with his own mind why he should buy. All of which delights the buyer and gives him an opportunity to "buy" instead of being "sold." By Glenn H. Eddy. *Printers' Ink Monthly*, Sept., 1928, p. 87:2.

#### **Know Competitive Products as Well as Your Own**

Competition in the industrial field has forced manufacturers to improve their methods, yet the selling, particularly of a technical product, has followed the well-beaten paths of yesterday. Selling a technical product is not entirely a matter of quality of the goods, service, reliability of the manufacturer, or price. The really important item is the ability of the salesman to present his product from an engineering standpoint so that the confidence of the prospect is gained immediately. Industrial concerns will gladly pay a higher price for a product sold on the basis of sound engineering. By L. O. Monroe. *Industrial Sales Topics*, Sept., 1928, p. 1:4.

#### **The Silent Vote in Selling**

There are often too many company policies which conflict with easy buying by the dealer. These and other resistances make up competition—a manufacturer competing with himself by creating silent voters who may not consciously know why they so register themselves. If manufacturers' salesmen only understood how particular many dealers can be! Having passed through the formative stage of retailing, buying, to them is no novelty. They make quick decisions and know what they want. Such a dealer is not apt to be carried away by the power of a name, and when buying sets his own stage with scenery to his liking. The manufacturers' salesman must then deliver his lines to conform to the dealer's stage managership, and if he does



not, a negative silent vote is registered. Some salesmen cannot seem to realize that the first thing in a dealer's mind is how he is going to make money retailing the salesman's product. Other salesmen insist upon an interview regardless of the dealer's time and interests. Such men, no matter how

hard they work, will find that the silent vote, influenced by forces which have nothing to do with the product they represent, can deplete business faster than public goodwill for the brand can build it up. By Frank W. Lovejoy. *Printers' Ink Monthly*, Sept., 1928, p. 78:2.

## Survey of Books for Executives

**Industry and Politics.** By Sir Alfred Mond. Macmillan, New York, 1927. 337 pages.

Sir Alfred Mond, British captain in industry and member of the House of Commons has written an intensely interesting treatise on modern business methods in Great Britain and compared them with methods of other countries. He advances the belief which is common to all lands, that politics are an annoyance to the industrialist, and not only an annoyance, but a hindrance, because of introducing factors which hamper production.

The book is a series of speeches and papers delivered before various clubs and industrial bodies and in the House of Commons by the author over a period of years, and while not a homogeneous whole, still contains gems of thought and good counsel gained from a life of experience spent both in politics and business, bearing upon the live and important issues of the day in both these fields of activity.

The author speaks with authority on the "Technique of Industry" whether it be in the field of fuel research or problems of business organization and management. This progressive employer favors co-partnership and share ownership as a means of interesting the worker in efficient conduct of industry, and recommends from his own experience, a system of bonuses to induce reduction in costs and elimination of waste. He is evidently impressed by the contrast between economic conditions

in his own country and the United States, and notes the large per cent of exchange among members of the same economic unit in the United States.

Sir Alfred Mond, himself a coal owner and operator has no sympathy with fellow owners who bury their heads in the sands of tradition and resist those measures of reorganization and amalgamation which are necessary to help the industry survive and pay its way. He believes that while there are obstacles in every line of business, that they are there to be surmounted and that "with willing hands and a sure tread upon the path of progress, those who believe in co-partnership can render great service to their own individual community, their country and to civilization."

In his chapter on historic background the author points out that human nature works out very much the same and follows the same elemental principles in all periods of history. Following the Napoleonic War there was a period of depression through unemployment similar to that following the World War, in which the Speenhamland System, very similar to the dole, was paid out to large numbers of the unemployed. He shows the evils which came from this system, also the evils which are coming from the more modern system of doles. He makes a strong plea for governmental and local work during periods of depression, and for organization in such a manner as to give employment rather than doles, through public agencies to those who would otherwise be unemployed.

In his treatment of the application of science to industry he says: "The welfare not only of the nation, but of the human race, depends upon the efficiency of its chemists and technicians, its scientists in every field. The amazing rapid progress made in recent years must not induce any attitude of complacency. We are not living on the apex of civilization. Rather, we are at the foot of the great ascent which will take us to higher forms of civilization than even we moderns can predict. The ascent will mean steady effort, effort ever sustained and augmented. Even then the final triumph is by no means certain." He is fully aware that science alone cannot accomplish all that is desired in advancing civilization. Civilization, including human welfare is something more than research and scientific study.

He recognizes industrial research as one of the highways to prosperity but he also recognizes its dangers, that it cannot be divorced from industry without being a waste of time, money and human energy and says, "Research must have a soul and an enthusiasm above personal gain, but it should also justify itself with concrete results directly applicable to the needs of humanity." "To cover research with a halo of romance is unfortunate, as it may give rise to the idea that great theories and discoveries are the result of some divine chance or mere luck, as opposed to the ordinary routine of sheer hard work. They are usually the well earned reward of patience, persistence and doggedness on the part of the worker."

Speaking of the marketing problem,—  
"We have to consider that the whole world is today a universal market, and that the marketing of the world's products has become not merely a national but an international problem. If we could get rid of the limitation of our ideas, if we could conceive the world as consisting of no state except the human state, if we could visualize no boundaries except the boundaries of humanity, many of our difficulties would disappear."

The author sees as one of the ways out of this difficulty the organization of international cartels or combines to control international abuses.

The chapter on "Rationalization of Industry" is an outstanding one showing the enormous responsibility which rests upon every man engaged in industry, and the author seems to feel this not only a responsibility but a privilege when he states: "It is his to see that the workers of the country are guided along the paths of prosperity and not the road to ruin. It is his to contribute his own share also to the greater happiness and contentment of the people." He believes that all countries must rationalize industry in a way which would protect them in times of war or great emergency for the purpose of self defense, and that imperial consolidation and international peace are both objects which we all wish to achieve. They are both objects which are for the betterment of humanity. The one does not exclude the other. They will have to be followed on different lines though at the same time."

Treating on the "Biology of Industry":  
"We are all beginning to understand that neither the impoverishment of classes nor the impoverishment of nations is for the benefit of anyone anywhere, just as we have all learned that in making other countries poorer, we became poorer not richer ourselves, just as an intelligent country like the United States has taught that the greater the consuming capacity you can give the people, the greater the profits you will make in your industry—so in the same way, the greater industrial progress that can be made in all countries, the greater the benefits that will be derived. This may seem somewhat of a paradox, but I hope that those who are interested in this question will think it out carefully. It is too often assumed that in industry, what is one nation's gain is necessarily another nation's loss. That is not a true picture. The sooner people grasp the fact that industries are biological and dynamic, and not static, the better."

The author recognizes that Canada is becoming commercially allied with the United States and suggests a closer economic alliance between Canada and Great Britain, which to my mind is a very difficult problem considering the more favorable economic relationships which Canada must always find in trading with the United States on account of the great similarity of tastes of the people as regards style and custom of their articles in use in living. Instead of trying to set up a third economic unit, Great Britain might well join with the United States or Europe, and it would seem its greater advantages would be on account of Canada, Australia and New Zealand and their similarity of development and tastes with those of the people of the United States. The people of Great Britain as well as of the United States, could produce and consume more economically and interchange products more profitably within this group than any other similar group. This would at the same time allow the British Empire to develop the great resources in its water power and the vast mineral wealth of the great Dominion, as well as the rich agricultural fields of Western Canada. The natural alliance and the close economic union of Canada with the United States is recognized by the author and instead of looking upon it as a danger to the Empire, it would seem he should welcome the condition as one of greater opportunity for effecting a closer economic union with the United States. The immediate proximity of the great Canadian commonwealth to the United States would be one of the strong factors in its development of the future.

The United States, the British Empire and the future development of the great west, in my mind depend upon leadership in economic production and the distribution which would flow from such a union and mutual understanding. It would seem that the author with his great grasp of the situation, missed the opportunity to carry on his thought of forming international

cartels to this very evident conclusion of the union of Great Britain and the United States. Perhaps his suggestion of a three-cornered division: (1) Great Britain, (2) the economic union of the countries of Europe, and (3) the United States of America, anticipated the carrying out of that greater economic union and cooperation of all three, but he fails to state this as his objective.

In working out this problem of empire building and economic union of the great nations of the world, he defines what socialism really is and why it fails to accomplish the much desired result, in these words:

"The fundamental principle on which Socialism is based is the abolition of all forms of private property and the substitution of collective ownership in one form or another, the cessation of all competition as we know it, and of all private enterprise in every form and the destruction of what is called the "Capitalist System." You cannot suppress human nature, and that is why socialism must fail. It is up against the elementary instincts of human nature, the free play of competition and that freedom of the individual to develop if he wants to without repression. Men work best for themselves."

He cites the case of a certain trust which was dissolved during the administration of President Roosevelt, in which the component parts of the trust made more money in competition with each other than when united, simply because it had outgrown the proper economic management and became so large that the Company was like a governmental department, so complicated and so full of red tape that "paralysis set in."

In describing the achievement of the capitalistic system Mr. Mond says: "Multitudes of people see in our present organization of society very many evils. They contrast mere wealth and luxury on one hand with poverty and suffering on the other. They ignore the enormous progress and general prosperity during the last

century. They fail to realize the extraordinary achievement of the organization of our present system which has enabled the population of this country (Great Britain) to be almost quadrupled in less than one hundred years." "Socialists are disposed to destroy the machine which proved able to achieve so much, in order to substitute for it something which in most minds is merely a pious aspiration toward better things."

He develops his reasons why Government cannot with its organization and facilities be as effective in operating industry as private capital and management. The one basic thing in industrial development is management. In this particular he points out the important place that management holds in modern industry,—that it employs both capital and labor, and that both are equally dependent upon management. He points out that the great fundamental problem with which management has to deal is human nature, and that the means to deal with it is education and through this means to develop the largest possible degree of mutual understanding and cooperation. He seems sure of his ground when he states that the best managed businesses on the whole, are those which provide the greatest personal financial interest to those who manage them, and the keenest incentive both for development and success. The author has a broad and commendable vision of what his country should and might be and states: "We want everybody better off, not a few people worse off. We want to enhance the general standard of life, not depress it, and unless a change is clearly demonstrated as bringing this about, it should be opposed by all thinking men and women." Socialists look upon those whom they call "Capitalists" as devoid of human sympathy, as people engaged in enriching themselves without any regard for humanity. It never occurs to them that all are human beings with fundamentally the same feelings and that the great and vital questions which make up human happiness affect us all equally."

Finally, he sums up: "There are endless numbers of varied methods by which people who are not working together, might work together in all these problems whether they arise in business or politics. It is the will to do that matters. If that will is once created, I am certain that the methods can be found. We cannot jump suddenly from one to another. The process must of necessity be a slow one, but it is worth trying. It is really a holy duty upon us at the present time. It is impossible to imagine that we are going to sit down in a sapient kind of way and see the great structure which generations and centuries of sacrifice have created crumble away in our very hands."

The present system if properly developed and perfected, working along similar lines to what is now being done in most progressive industrial organizations, will go farther than any other system which has been started, toward bringing about better conditions and better standards of living and a greater happiness throughout the civilized world.

Mr. Mond, a leader in politics as well as in business, seems to have tried to take an impartial view of the situation. His counsel is good, his facts are reliable, and his reasoning sound. I heartily commend the careful reading of this book "Industry and Politics" to all students of industrial economics and its relation to government.

W. W. KINCAID, *President,*  
*Spirella Company, Incorporated.*

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**Principles of Valuation.** By John Alden Grimes and William Horace Craigie. Prentice-Hall, Inc., New York, 1928. 274 pages. \$10.00.

The valuation of equal annual income is the simplest form of valuation, to which the authors of this book have added but one new method, the three-interest rate, sinking fund method. The development of mathematical methods for valuing any other type of income, regular or irregular, increasing or decreasing, subject to tax

or tax-free, and according to any mathematically sound premises of valuation, comprises the principal claim of this book for consideration. The various valuation methods are correlated and compared, and it is finally demonstrated that the valuation of any character of income, under any of the mathematical premises, may be accomplished through the use of one simple general formula, as applied to tax-free income, and with modification for income subject of tax.

There are chapters on types of valuation formulas for terminable income and for perpetual income, valuation of income subject to an income tax, interest rates, and on the discount for hazard method of valuation. Appendix A contains yearly interest rate tabulations, including interest rates and wholesale commodity index figures in the United States, rates of interest paid to depositors by mutual savings banks of the State of New York from 1819 to 1874, yearly average rates of interest on collateral time loans and commercial paper at New York, annual average minimum rates of discount of European banks, yields of mortgage loan investments of life insurance companies, life insurance company investments and first mortgage loans on city real estate, approximate rates of interest realized on investments by mutual savings banks of the State of New York from 1875 to 1925, average rates charged by member banks on customers' paper rediscounted with Federal Reserve banks, average interest rates charged by banks on loans and discounts, on time loans in 1910, on demand loans in 1910, rate of interest paid to depositors by savings departments of National banks in cities, in country districts, average rates earned on total bills and securities, on bills in the open market, on discounted bills, on United States securities by the Federal Reserve banks, geographic variation of interest rates, rate of capitalization on the basis of total earnings for the year, rates of capitalization on the basis of common stock

earnings for the year, rates of capitalization on the basis of common stock dividends for the year, and average annual yields of bonds. Appendix B contains a series of valuation tables.

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**Representative Industries in the United States.** Edited by H. T. Warshow. Henry Holt and Company, New York, 1928. 702 pages. \$5.00.

Numerous books have been written by students and journalists tracing and interpreting the growth and development of industry in the United States; but the men who have helped to bring this development about, who understand its processes and who are really an integral part of the development itself, have not as yet told their story. It is to these men—the leaders in industry—to whom we must look for the most competent exposition of the difficulties and growth of individual American industries. Economists and journalists may be better qualified to weave the raw material from such contributions into a general pattern; but for a specific and detailed analysis of his own business, it would seem that the best qualified person is the man who has spent his life in that business. Such is the theory upon which this volume is planned.

The contributions follow a uniform outline and cover in a general way a brief history of the industry, the conditions surrounding its origin in the United States, its relation to American industry as a whole, the growth of its domestic trade, the improvements in technological processes, the growth of its export business, a discussion of its labor problems, a brief history of large consolidations of combinations, and any special developments peculiar to the individual industries. The volume does not pretend to cover all of the important industries in the United States. Its purpose is to include only a representative selection of manufacturing industries. In order to round out the volume, chapters have been added on building and



banking, two industries which are related to all industries and on which they are all, in a general way, dependent. There are chapters on the aluminum industry, the automobile industry, banking in the United States, chemical industries, the construction industry, the copper industry, the cotton industry, the electric industry, the iron and steel industry, lead mining and smelting in the United States, the blue lead and mixed metals industry, the leather industry, the American meat-packing industry, the lumber industry, the paint industry, the American petroleum industry, the history of railway equipment, rubber, the water power industry, the wool industry, the zinc industry.

The contents of this book may well appeal to the general reader of industrial and business problems; but in many cases, it is sufficiently comprehensive to be useful to experts and specialists of the respective industries.

**Bibliography of Retailing.** Compiled by Paul H. Nystrom. Columbia University Press, New York, 1928. 88 pages.

This is a very complete bibliography on the subject of retailing covering chiefly books and some pamphlets.

The first section of the bibliography covers books and other documents under the following headings:

- A. General Books on Retailing.
- B. History and Biography.
- C. Accounting and Control.
- D. Building, Equipment and Operation.
- E. Buying and Merchandising.
- F. Selling.
- G. Sales Promotion and Publicity.
- H. Advertising and Display.
- I. Personnel and Education.
- J. Chain Stores.
- K. Department Stores.
- L. Mail Order Houses.
- M. Consumers' Co-operative Stores.
- N. Merchandise Studies.

The section on Merchandise Studies runs the whole range of the different types of

goods from art goods to toys. This section lists trade periodicals in the various fields. Section "O" deals with Retail Merchandise Sales Manuals Prepared by Manufacturers.

**Adam Smith, 1776-1926.** Series of Lectures by John Maurice Clark, Paul H. Douglas, Jacob H. Hollander, Glenn R. Morrow, Melchior Palyi, Jacob Viner. The University of Chicago Press, Chicago, 1928. 241 pages. \$3.00.

The lectures which are contained in this volume were delivered at the University of Chicago during the months of December, 1926—February, 1927, in a series designed to commemorate the sesquicentennial of the publication of the *Wealth of Nations*. The influence of Adam Smith upon economic thought and practice has been so pronounced that it was thought worth while to trace some of the more prominent features of his teaching and to indicate some of the main channels of his influence.

In the first and second chapters, Jacob Hollander shows how the publication of the *Wealth of Nations*, incoherent and full of defects as it may be, marked "the dawn of a science" and how it attained such wide publicity and its principles became so generally accepted that its author, Adam Smith, became in a sense "the founder of a school."

In the third chapter, John Maurice Clark seeks to interpret the theories and principles of Adam Smith in the light of the influences which molded them and the forces and conditions to which they were a response. He discusses the environmental interpretation of economics, the environment and doctrines of Adam Smith, whether Smith was a genetic economist or not, and the spirit of Smith in the light of later conditions.

Chapter four deals with Smith's theory of value and distribution. Paul H. Douglas is the author.

In chapter five, Jacob Viner treats of Adam Smith and laissez faire, including a discussion of Smith's "Theory of Moral Sentiments" and the system of natural liberty in the *Wealth of Nations*.

In succeeding chapters, Glenn Morrow shows how Adam Smith was not an economist alone but a moralist and philosopher as well, and Melchior Palyi traces the influence of Adam Smith on Continental economic thought.

A series of lectures by such eminent men as these will be read with interest by all who are inclined toward economic thought and theory.

#### **Wages in the United States, 1914-1927.**

National Industrial Conference Board, Inc., New York, 1928. 168 pages. \$2.50.

This volume is the fifteenth of a series of publications in which the National Industrial Conference Board presents the results of its investigations into Wages, Hours of Work and Employment in American industries. Originally these studies were confined to manufacturing; they were gradually extended to include other branches of our economic life. The data in this volume cover wages in manufacturing industries, public utilities, building trades, anthracite mining, agriculture, and in Class 1 railroads. In addition, Chapter 8 supplies composite and classified payroll data for specific manufacturing industries. The appendix contains condensed data on wages, hours and employment in 25 industries.

The information regarding public utilities and anthracite mining was obtained directly from employers in these fields who, like those in manufacturing industries, co-operated with the Conference Board by furnishing detailed figures requested in schedules submitted by the Board.

For other industries the Board utilized material already in existence, but adapted the available information to the purposes of the study and, so far as conditions per-

mitted, made it harmonious with the treatment of manufacturing industries, which form the backbone of the study.

The findings of recent years are related to pre-war conditions and thus a view is given of the development of wages and hours of work during the entire period from July, 1914, to January, 1928.

The clear explanation of methods used by the Conference Board in assembling wage data, and the graphic presentation of statistical information make this a useful and practical study for business executives and other students of economic problems.

#### **Industrial Engineering and Factory Management.**

By Arthur G. Anderson. Ronald Press, New York, 1928. 623 pages. \$5.00.

Production control and industrial cost are best effective and determined through the application of industrial engineering principles, embodying the basic laws and functional structure of organization. This naturally involves plant location and facilities, types of buildings, materials, construction methods, production layout and equipment, shop transportation, power, heating, lighting, and ventilation. Effective and economical operations may be derived from the elimination of waste through limitation of variety of products, and conservation of human effort, in connection with standardization and fatigue. For economical production, one must be also familiar with operation study—wage rates with various incentive plans. Finally, the major principles must be applied in budgeting, purchasing, stores control, inspection, and tool control.

The author outlines the above principles of management with sufficient facts and simplicity to convince the reader of its practicability. He does not, however, stop there, but adds and simplifies these principles with diagrams, pictures and numerous cases of application to small and large organizations. Then to test the reader's understanding of the text, prob-

lems and questions are presented at the end of each chapter.

It seems that the author realized that all the industrial engineering principles could not be jammed into one book, most effectively, and that too many of these principles are scattered through innumerable books on the subject. He has, therefore, succeeded in bringing the more important fundamentals in a text books form, under one cover, for the use of the student as well as the executive. This book must stand out as the "a b c's" of management. It is simple, easy to understand and easy of application. There is no executive who cannot be benefited by applying more than one of the author's points to his particular industry. It is a stupendous and marvelous achievement.

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**A Theory of the Labor Movement.** By Selig Perlman. Macmillan, New York, 1928. 321 pages.

With the best intentions in the world we cannot work up an enthusiasm for this apologia pro sua vita otherwise entitled, "A Theory of the Labor Movement." Perhaps every book, especially every book of theory, is in a sense an autobiography. It tells what the author thinks about a subject, and what he thinks arises inevitably from what he has been and thought in the past, particularly when he has had a vision on the road to Damascus or Wisconsin as the case may be.

Mr. Perlman came to this country a Marxian socialist. Under the influence of John R. Commons he learned to worship at the shrine of the "pure and simple" trade unionism of the American Federation of Labor. He distrusts "intellectuals", meaning doctrinaires, and feels confident that in trade union rules and shop practices can be found all the theory the labor movement needs. No proper distinction is made between the traditional restrictive effect of these rules and practices and the newer attitude of acquiescence if not co-operation in the promotion of productive effi-

ciency, which substitutes for these rules and practices, a new responsibility and reward. Thus he speaks of the B. & O. plan and the methods of the Amalgamated Clothing Workers as of the same genre as the shop practices of the printers, the trade union rules of the building trades, etc. But if there is any principle or theory involved in the labor movement at all it is just this movement from a negative to a positive attitude toward business and its welfare. The A. F. of L. has given its official sanction to this new attitude and it is being accepted by or forced upon some of its member unions. What part the intellectuals have played in this orientation is really of little moment. We agree with Mr. Perlman that the doctrinaires have played no part at all. They are by definition excluded from participation in a program that involves compromises, integrations and a close knowledge of manufacturing processes.

But "intellect" is involved as opposed to tradition and the problem of intellect without "intellectuals" is hardly worth discussing. If Mr. Perlman means simply that the hope of trade unionism lies in its own ranks that is another matter. When and where it can develop its own intellectuals that is sufficient. But the history of the labor movement is strewn with wrecks of trade unions which failed to develop intelligent leadership.

"A Theory of the Labor Movement" is divided into two parts. Part one gives an interesting sketch of the background of the Russian revolution, the story of the conflict between socialists and trade unionists in Germany, and less satisfactory reviews of the British and American labor movement. If Mr. Perlman had only forgotten his theory and concentrated upon these historical sketches, the book, in our opinion, would have been of very great value. It is perhaps impertinent of a reviewer to say that a book should have been something that it was not intended to be. But in this case there is a notorious lack of the sort of thing Mr. Perlman could so successfully do.

NORMAN J. WARE.